

WEALTH MANAGEMENT PROCESS

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CATAMOUNT
FINANCIAL ADVISORS

of
RAYMOND JAMES®

$$WM = IC + AP + RM$$

IC = INVESTMENT
CONSULTING

$$AP = WE + WT + WP + CG$$

$$RM = CRM + PNRM$$

WM

(WEALTH MANAGEMENT)

=

IC

(Investment Consulting)

+

AP

(Advanced Planning)

+

RM

(Relationship Management)

Management of all investment elements to maximize the probability of clients achieving all that is important to them

- Portfolio performance analysis
- Risk evaluation
- Asset allocation
- Assessment of impact of costs
- Assessment of impact of taxes
- Investment policy statement

AP

(ADVANCED PLANNING) =

WE

(Wealth Enhancement: tax mitigation and cash – flow Planning)

+

WT

(Wealth Transfer: transferring wealth effectively; may not be within a family)

+

WP

(Wealth Protection: risk mitigation, legal structures and transferring risk to insurance company)

+

CG

(Charitable Giving: maximizing charitable impact)

REGULAR PROGRESS MEETINGS

WEALTH MANAGEMENT FORMULA

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Recapitalization of S Corporation into Voting and Non-voting Stock

Before Recapitalization

The Family owns 100% of voting stock of corporation

The Family Business

Recapitalization

Family exchange their voting stock for a combination of voting and non-voting stock

The Family

The Family Business

After Recapitalization

Family own all voting and non-voting stock of corporation

STOCK
The Family Business

WEALTH MANAGEMENT STRATEGY

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Gift of Non-Voting Stock to Intentionally Defective Grantor Trust (“IDGT”)

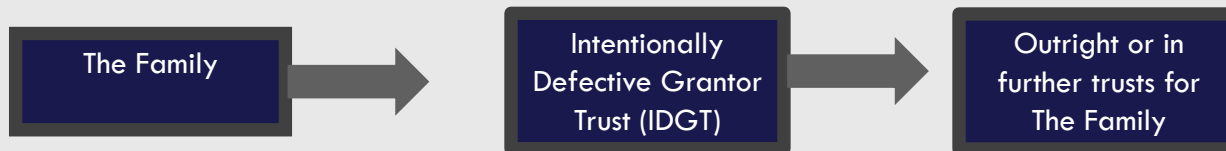
- Value of non-voting stock may be gifted at a discount equal to fair market value
- Minority interest discount – minority owner does not have the ability to control the management of day-to-day operations of the corporation, the investment or disbursement of the corporation’s assets or the timing of distributions to shareholders. Lack of marketability discount - due to lack of a ready market for restricted interest. The Family must allocate all or a portion of his lifetime gift tax exemption (\$11,700,000 in 2021) for the value of the transferred non-voting stock in order to avoid gift tax on the transfer
- Upon the transfer, non-voting stock and appreciation in value of stock are removed from estate for estate tax purposes



- The Family gifting of non-voting stock to a trust that is a grantor trust for income tax purposes: Trust assets will not be included in estates for estate tax purposes
- With a grantor trust, all of the income generated by the trust is taxable to the grantor. The grantor reports all items of income, loss, deduction and credit attributable to the trust on his or her personal income tax return. By paying income taxes on behalf of the trust, the grantor can make additional “tax-free” gifts to the trust equal to the amount of the income tax that the trust or the beneficiaries would otherwise have to pay

Installment Sale of Non-Voting Stock to Intentionally Defective Grantor Trust (“IDGT”)

- Family gifts assets (cash, non-voting stock or other property) as a seed gift to the IDGT, equal to 10% or more of the assets later sold to the IDGT, using a portion or all of his lifetime gift tax exemption and later sells non-voting stock to the trust for fair market value
- Seed gift supports the position that, prior to the sale, there is adequate equity in the IDGT to satisfy the installment sale obligation upon the trust's later purchase of the stock.



- The Family accepts a promissory note from the Trustee for installment payments on the sale and Trustee makes interest and principal payments on the promissory note
- Typically, the promissory note is a balloon note – interest-only payments until the final year of the note, when all principal is paid off. No income tax consequences to The Family upon the sale or interest payments on the promissory note (The Family and the IDGT are the same taxpayer for income tax purposes)
- If the promissory note is not paid in full before death, value of the promissory note at that time is included in estate for estate tax purposes. Assets in IDGT and appreciation in the value of assets pass free of gift and estate tax to the remaining beneficiaries